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DDA Memo, 4 Apr 77
DDA RUC, 77/1763

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1. US view concerning appointment of governor for Trieste--The Department of State has advised the US delegation at the UN of its opinion that: (a) any governor appointed for Trieste at present would be so subjected to Yugoslav pressure as to be incapable of maintaining the independence and integrity of Trieste; and (b) any alteration of the current situation in Trieste where US-UK forces serve as a stabilizing influence would be dangerous "in this critical juncture of affairs in Europe." The Department instructs the US delegation to pursue a course of action which will avoid the appointment of a governor at this time.
2. British take lead in resuming CEEC activities--US Ambassador Caffery reports that UK and French CEEC representatives have met and drawn up a proposed program for future CEEC activities. Tentative plans include Bevin's reconvening the CEEC for a short conference at the beginning of February to: (a) review measures taken since the initial CEEC conference; (b) plan future mutual-aid measures; and (c) establish a small working party which will direct the specialized committees, act as liaison with Washington, and prepare plans for the multilateral organization to be set up by the 16 countries under the European recovery program.
3. Reported recruiting in Hungary for fighting in Greece and Palestine--US Minister Chapin has been informed [redacted] that General Jozsef Palfy of the Hungarian Army is recruiting a "considerable" number of volunteers to aid the Greek guerrillas. Chapin adds that [redacted] recruits may choose similar service in Palestine with the Irgun Zvai Leumi and that a total bonus of 30,000 forints is paid to each volunteer.

EUROPE

4. SPAIN: Vatican views on Spain--During an interview with Vatican Acting Secretary of State Tardini, Acting US Representative Parsons received

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the impression that the Vatican reaction to the recent reexamination of US policy toward Spain [redacted]

[redacted] will be favorable though perhaps more passive than that desired by the US. Parsons believes that the Vatican response will be influenced by: (a) the absence of any pressing threat to the interests of the Church; (b) reluctance to increase factional divisions existing in the Spanish hierarchy; and (c) present Vatican preoccupation with urgent and critical problems in Eastern Europe.

5. HUNGARY: Communist control considered complete--US Minister Chapin expresses his views that Communist political control of the Hungarian Government is complete in fact if not in appearance, all effective opposition having been eliminated, and that the process of economic and social sovietization can now go forward more or less at will. Chapin points out that the weapons at the disposal of the US to halt further Communist consolidation are extremely limited and are "becoming more so."

NEAR EAST-AFRICA

6. PALESTINE: Jewish economy severely disrupted by Arab activities--US Consul General Macatee reports from Jerusalem that the Jewish economy has been severely disrupted by the disorders in Palestine. Macatee indicates that: (a) Jewish transport is handicapped to such an extent that settlements in the Negev are practically isolated and important Jerusalem roads leading to Jewish suburbs are closed to Jewish traffic; (b) night fighting with automatic weapons and mortars is now common; (c) Arab raids on trains continue, with food and mail stolen; (d) the Jerusalem post office is inoperative because of fear among Jewish employees; and (e) Arab police have continued to abscond with arms despite preventive efforts by the British. Macatee adds that, according to the British, the oil supply in Palestine is sufficient for only ten days.

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7. INDIA: Government replies to US note--US Charge Donovan transmits a note from the Government of India (in reply to the recent US note on the Kashmir dispute. [redacted])

[redacted] in which the GOI states that it has no intention of indulging in provocative action while the Kashmir question is being considered by the SC.

Patel speaks belligerently on Kashmir--Donovan also reports that Patel (Indian Minister for Home Affairs) recently asserted in a public speech that India would not surrender an inch of Kashmir to any one. Patel stated that an open war was preferable to the disguised warfare now going on and that there would be little point in holding a plebiscite in Kashmir if India must ultimately save Kashmir "by the sword."

FAR EAST

8. CHINA: Communications Minister cancels trip to US--According to US Ambassador Stuart, Minister of Communications Yu Ta-wei will not come to Washington with the Chinese technical mission to discuss the China aid program as previously reported [redacted]

[redacted] Stuart expresses the view that Yu was reluctant to serve largely because of his unwillingness to be associated with negotiations which might result in the opening of Hankow and Hankang to foreign shipping.

9. FRENCH INDOCHINA: New demands by Bao Dai--The French Foreign Office has informed US Embassy Paris that Annamite Emperor Bao Dai is now insisting upon an independent Vietnam Army and complete freedom in the conduct of Vietnamese foreign relations. The Foreign Office regards these demands as contrary to the constitution of the French Union.

[redacted]

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